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WAR FOOD ADMINISTRATION  
✓ AGRICULTURAL ADJUSTMENT AGENCY  
Washington

## WHY AGRICULTURAL PRICE SUPPORTS?

**DURING THE WAR** price supports have been used to obtain needed production. After the war they will help stabilize agriculture during the conversion to peace.

**THE AFTERMATH OF EVERY WAR** in which the United States participated has turned out badly for farmers. During the actual fighting, they mined their soil to increase the production of food. For a while farm prices went skyward. Then, when the need slackened, farm products piled up in unwanted surpluses and farm prices tobogganed downward.



**PRICE SUPPORTS** build a floor to keep prices from falling too low.

**WHEN THIS WAR BROKE**, farmers and Government, through national programs, had years of valuable experience in working together. They had learned how to cooperate to reach soil-building and production goals and to keep farm prices at fair levels.

**RESPONDING TO WAR NEEDS** for increased production, Congress provided the authority and money to expand the Government's pre-war program to protect farm prices.

### WHAT PRODUCTS ARE SUPPORTED?

**PRICE SUPPORTS** cover three groups of farm commodities:

1. *Crops named as "basic" in the Agricultural Adjustment Act*—corn, wheat, cotton, rice, tobacco, peanuts (for nuts).
2. *Commodities for which the War Food Administration by proclamation has asked increased production during the war*—hogs, eggs, chickens (except those weighing less than 3½ pounds live weight, and all broilers), turkeys, milk and butterfat, dry peas and dry beans of certain varieties, soybeans and peanuts and flaxseed for oil, American-Egyptian cotton, potatoes, and cured sweetpotatoes.
3. *Certain other products*—wool, sugar beets, sugarcane, certain vegetables for processing, barley, grain sorghums, rye, naval stores, many seeds, and others.

**WHAT LEVEL?** For **GROUP 1**, the law directs that prices shall be supported at 90 percent of parity (92½ percent for cotton). For **GROUP 2**, prices are to be supported at not less than 90 percent of the parity or comparable price.

For **GROUP 3**, supports are provided to bring prices for these commodities to a fair parity relationship with **GROUPS 1 and 2**, to the extent that funds are available.

**PRICE SUPPORT PROGRAMS** aim to give farmers, generally, the announced support prices. Obviously, there are times when every farmer may not receive the support price. Marketing, transportation, and storage facilities are not always available to handle all the supported products at every place where farmers market them. However, with the cooperation of farmers, WFA supports farm prices at announced levels.

#### HOW LONG?

**TO HELP FARMERS** adjust to the needs of peacetime, when expanded production to meet special war requirements is no longer needed, farm prices for products in **GROUPS 1 and 2** will be supported at the specified level for 2 years after the January 1 following the declaration that war is ended. Thus, *farmers and Government* share responsibility for orderly farm reconversion to peace.



For products in **GROUP 3**, a specific level of support has not been designated for the 2-years-after-the-war period. Price supports for these products are usually established for 1 year at a time.

#### HOW?

**PRICES MAY BE SUPPORTED** by the Government through several methods, including:

**Commodity loans** (for wheat, cotton, soybeans, etc.). Growers store specified commodities under nonrecourse loans. If market prices fall below the loan level, the Government will accept the stored commodities as full payment for the loan. Or the farmer may redeem his loan and sell his product on the open market. Storage may be on farms or in warehouses, varying by commodities.

#### *Purchase programs:*

1. Purchases for war use, generally made during the season of heaviest farm marketings.
2. Purchases of finished products (such as pork and dairy products) at prices which enable the processor to pay the farmer not less than the support price for the raw product.
3. Purchases of the output of processors (such as vegetable canners), provided they are certified as "eligible," which means that they have agreed to pay support prices to growers.

**Direct payments**, such as dairy production payments made direct to farmers, and diversion payments made to starch processors to offset the difference between the value of potatoes used for starch and the prices paid growers.

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